CURRENTS

WESTERN CANADA'S ECONOMIC BULLETIN

CanadaWest FOUNDATION

VOL. 2011 | NO. 3

→ WESTERN ENERGY ATTITUDES → BC'S NORTHERN GATEWAY → HOUSEHOLD ENERGY EFFICIENCY

Monthly Highlights

Job creation paused in the West in April as employment growth in BC was offset by declines in Manitoba and Alberta.

While BC's employment grew for the third consecutive month—up 0.4% in April—all the gains were in part-time jobs. The province's unemployment rate also edged down to 7.9% but remains above the national rate of 7.6%. Job levels in Alberta declined for the second consecutive month (-0.2%) in Alberta and fell by 0.5% in Manitoba. Saskatchewan's labour market remained virtually unchanged in April.

Consumer price inflation increased across the country in March compared to February due to gasoline price increases. Western inflation rates ranged from 2.0% in Alberta to 3.1% in BC, with all four provinces below the national average of 3.3%.

In February, wholesale sales dropped 2.5% in Saskatchewan and 1.2% in Alberta. Retail sales were up across the West, with Manitoba (+2.0%) leading growth. At the national level, Canada's economic recovery paused in February as real GDP edged down 0.2%, following four months of non-stop growth.

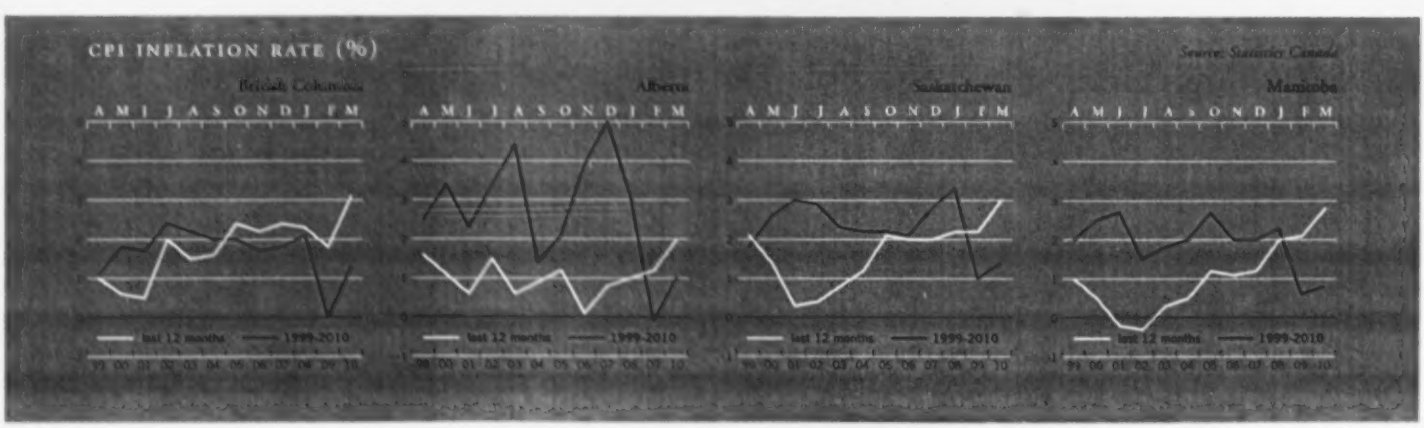
Preliminary figures released by Statistics Canada for provincial real GDP growth showed that Alberta (+4.0%) was the fastest-growing province in 2010, followed closely by BC (+3.8%) and second only to Newfoundland and Labrador (+4.8%). Manitoba and Saskatchewan (both +1.4%) posted the slowest growth among all provinces in 2010. In comparison, the national growth rate was 3.3% last year.

Monthly Economic Statistics	BC	AB	SK	MB	Canada	Reference Month
Labour Markets						
Employment (000s)	2,273	2,060	524	624	17,286	April
% change	0.4	-0.2	0.0	-0.5	0.3	
Unemployment rate (%)	7.9	5.9	5.0	5.2	7.6	April
change in percentage points	0.2	0.2	0.2	-0.3	0.1	
Participation rate (%)	65.4	73.2	69.2	69.2	67.0	April
Average weekly earnings ($)	841.05	1,037.98	863.04	803.29	874.83	February
% change	0.5	1.2	2.6	0.0	0.2	
Inflation						
Consumer Price Index (% change)*	3.1	2.0	3.0	2.8	3.3	March
Economic Activity						
Retail trade ($M)	4,839	5,237	1,313	1,364	37,338	February
% change	0.7	1.5	0.4	2.0	0.4	
Wholesale trade ($M)	4,206	5,486	1,651	1,212	46,872	February
% change	-0.5	-1.2	-2.5	0.1	-0.6	
Manufacturing sales ($M)	3,176	5,489	927	1,254	47,082	February
% change	0.9	1.4	-0.3	1.7	-1.5	

** Compared to same month in previous year. Unless otherwise noted, data are seasonally adjusted and percent change is from previous period. Source: Statistics Canada, Canada Mortgage and Housing Corporation.*

CURRENTS is sponsored by:

CANADIAN WESTERN BANK



Monthly Feature

The Public–Energy Relationship: "It's Complicated"

Imagine you are in a relationship in which you like the other person, but are not sure if they are "the one." They have some great qualities, and you probably shouldn't complain, but you have some nagging doubts about where things are going.

This is a lot like how western Canadians feel about the energy sector. They like the economic benefits, but are concerned about the negative environmental side-effects. Western Canadians don't want to "break up" with the energy sectors but they'd be a whole lot happier if they could change a few things about it.

For example, according to some recent survey work commissioned by the Canada West Foundation, 58% of western Canadians say that the oil sands are good for Canada (29% say that they are bad for Canada and 13% either don't know, think it depends, or hold both views equally). The same survey, however, reveals that 54% would like to see oil sands development slowed down over the next few years until the environmental impacts can be better addressed.

This is like your boyfriend or girlfriend saying how much they admire your fun side, but telling their friends that they wish you would settle down a bit and be more responsible.

Western Canadians know that the energy sector helps butter the region's economic bread by providing jobs, stimulating investment and generating government revenue. Indeed, 72% of survey respondents say that their household's standard of living depends to either a great or some extent on the health of the energy sector in their province. At the same time, there is a strong degree of apprehension about one of the country's (indeed the world's) largest energy assets.

When it comes to "green" energy almost 7 in 10 western Canadians (69%) says that they are willing to pay more to see green energy developed, and 82% support using tax dollars to encourage more green energy.

All of this highlights a fundamental tension in the western Canadian public's mindset: westerners need and want energy, but they are also worried that energy production and consumption are damaging the environment.

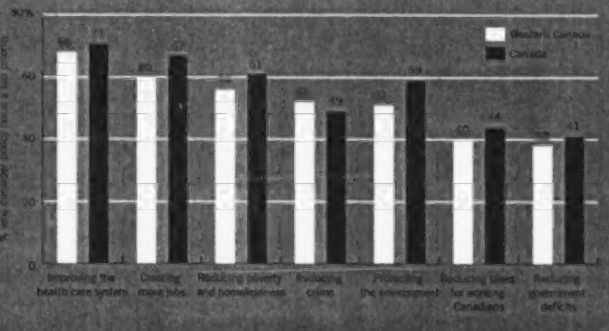
Finally, it's important to note that western Canadians have a lot of things on their mind other than energy and the environment. Extending the dating analogy a bit further, westerners are very focused on their health and their careers and don't spend all their time pining over the cute but standoffish green energy sector. Protecting the environment is seen as top priority by just 51% of western Canadians compared to 68% for improving the health care system, 60% for creating more jobs and 56% for reducing poverty. At least for now, more westerners are worried about health care and jobs than are worried about the environment.

For the complete survey results, see *Green Expectations* and *Reading the Meter*. Both reports are available from the Canada West Foundation at www.cwf.ca.

1/2

of western Canadians think that protecting the environment is a top priority, compared to 6/10 Canadians.

ISSUE IS A "TOP POLICY PRIORITY" – WESTERN CANADA AND CANADA (%)



Survey question: I'd like to ask you some questions about priorities for the country this year. As I read from a list, tell me if you think the issue that I read should be a top priority, important but lower priority, or is not too important?

Source: Canada West Foundation

DID YOU KNOW?

While BC is often touted as the greenest province in the West, other issues take precedence. In fact, at 52% BC came behind both Saskatchewan (57%) and Manitoba (54%) in the number of people identifying protecting the environment as a top priority.

Across the West, 36% of people think that the country's energy challenges are best addressed by a national energy strategy (as opposed to a regional or provincial one). This option is the most popular in BC (41%) and the least in Saskatchewan (21%).

In Manitoba, 31% of the population thinks that the quality of drinking water is a top priority, compared to only 12% in the West as a whole.

BEHIND THE NUMBERS

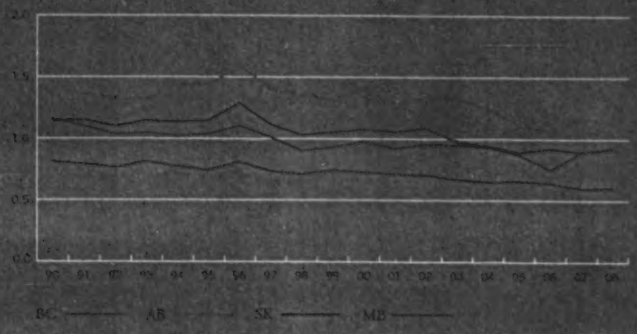
Household energy efficiency has improved across the West over the last two decades.

According to Natural Resources Canada, the average amount of energy used in homes has gradually decreased in each western province between 1990 and 2008. Based on the size of homes (in gigajoules per square metre), energy use has declined by about 20% in Alberta, Saskatchewan and Manitoba, and about 26% in BC since 1990.

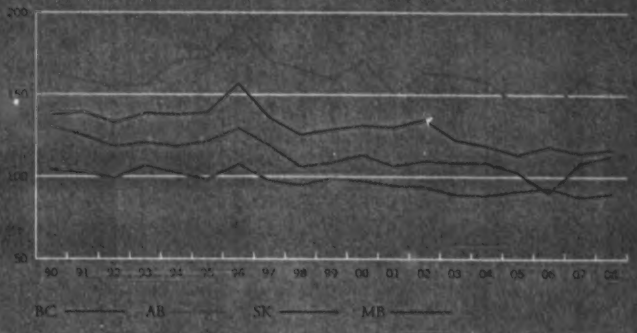
Hiding behind these numbers is the fact that average home size in the West has also been growing over this same period—partly (or in the case of Alberta—largely) offsetting the gains generated by the improvement in home heating and appliance energy efficiency. Bigger, newer homes are more efficient per square metre, but also use more energy in total. As a consequence, energy reductions per household are less impressive at about 15% in BC, Saskatchewan and Manitoba and a paltry 6.5% in Alberta since 1990.

BC
was the only western province with household energy usage below the national average in 2008.

HOUSEHOLD ENERGY USE (GIGAJOULES PER M²)



ENERGY USE (GIGAJOULES PER HOUSEHOLD)



Source: Natural Resources Canada

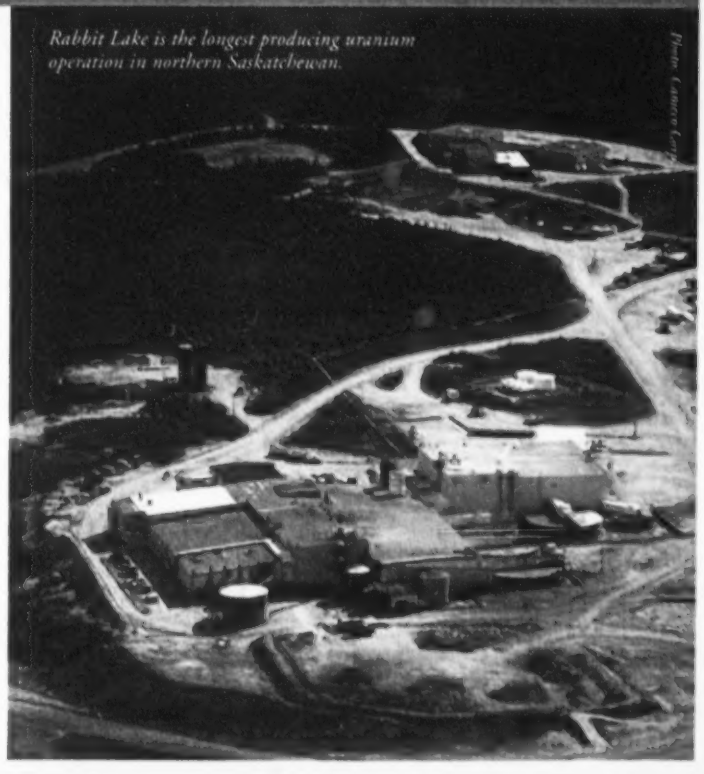
Energy Focus: Saskatchewan

Uranium

The primary fuel for nuclear power generation, uranium is found throughout northern Saskatchewan, with three of the world's largest mines in the Athabasca Basin. Saskatchewan boasts the world's third-largest reserves and is second only to Kazakhstan in production. Uranium employs approximately 3,600 people in the province and represents its sixth-largest export ($752 million in 2010), with the UK, the US and France as major markets.

One possible expansion area for the industry is upgrading, which consists in enriching raw uranium in preparation for use in reactors. However, a 2009 study conducted by Saskatchewan's Uranium Development Partnership recommended against a move into upgrading due to high capital costs and the administrative complexity of acquiring the technology.

Although the post-tsunami events in Japan raise concerns about the safety of the industry, nuclear energy continues to have growth potential due to its low carbon emissions. Saskatchewan's uranium reserves will keep their importance on global markets and within the province's economy for a long time.



Rabbit Lake is the longest producing uranium operation in northern Saskatchewan.

CanadaWest FOUNDATION

cwf@cwf.ca | www.cwf.ca

Head Office:
900 – 1202 Centre St. SE
Calgary, AB T2G 5A5
PH: 403-264-9535
TF: 888-825-5293
FAX: 403-269-4776

British Columbia Office:
810 – 1050 West Pender St.
Vancouver, BC V6E 3S7
PH: 604-646-4625
FAX: 604-684-7957

Saskatchewan Office:
KW Nasser Centre
256 – 3 Avenue South
Saskatoon, SK S7K 1L9
PH: 306-966-1251

Manitoba Office:
900 – One Lombard Place
Winnipeg, MB R3B 0X3
PH: 204-947-3958

OPINION

BY TIM MCEWAN, PRESIDENT & CEO, INITIATIVES PRINCE GEORGE DEVELOPMENT CORPORATION

Shortening the Trade Route to Asia Pacific

Northern British Columbia is on the cusp of an extraordinary economic future. Resource exports are on a significant rebound, and Northern BC is playing an increased role in connecting all of Canada's western provinces to the vast markets of the Asia Pacific.

Given its closer proximity to Asia, slighter rail grade, shorter time to market, and high efficiency port infrastructure, the Northern Pacific Gateway Corridor is very well-positioned to assume the mantle as a "supply chain route of choice" over the coming decade. It is time to leverage its strategic position as the shortest corridor for the movement of goods between the two largest market economies of the world—China and the US.

While British Columbia accounts for only about 35% of Canadian exports to the Asia Pacific, fully 72% of all Canadian exports to these countries moves through the Pacific Gateway's two corridors. The majority of shipments go through the southern corridor via Port Metro Vancouver, but the northern corridor (via Prince Rupert) is increasingly prominent, mainly because of infrastructure improvements in Prince Rupert and Prince George.

Prince Rupert's port has existed for more than a century but its latent potential is now being realized. The Port was the only west coast port in North America to show higher container volumes during the recent recession with increases of 45% in 2009 and 30% in 2010. The brand-new Fairview Container Port is an overwhelming success, as are the bulk terminals.

Meanwhile, in Prince George, the international airport has just expanded and now boasts the third longest commercial runway in Canada. Convenient rail and road connections intersect near the airport, which is optimally located on a circumpolar position between China's Pearl River Delta and the US markets. Prince George is growing as a multi-modal hub, especially for shipments of dimension lumber, pulp, forest-based bio-energy, and coal.

While improvements have been made to the Northern Pacific Gateway and Corridor infrastructure during the last decade, the time has come for further strategic planning and investments. The federal government has a clear role to play together with British Columbia, Alberta and Saskatchewan—the New West Partnership—to make this happen.

Here is my list of what is required:

- → Expansion of container capacity at the Port at Prince Rupert (from Prince Rupert Port Authority's Vision 2020 Plan).
- → The federal government's pre-election budget included plans to allow Ridley Terminals to borrow on capital markets to finance an urgently needed expansion. This measure should now be passed.
- → A long-term plan to twin Highway 16 from Hinton, AB to Prince Rupert, BC. The BC Port of Prince Rupert (just like those at Kitimat and Stewart) is as important for Alberta and Saskatchewan as it is for British Columbia.
- → Leading edge telecommunications infrastructure along the Northern Pacific Gateway Corridor, including state-of-the-art broadband and cell-phone coverage.
- → Supportive regulation, infrastructure funding, and marketing assistance for the Prince George Airport to gain a larger share of product exports, trans-Pacific refueling and cargo transshipment.
- → Keeping an eye on intermodal capacity to ensure that it does not inhibit export growth and in-bound transportation and logistics.
- → Joint marketing to establish a clear identity within the vast Asian markets of Western Canada's diverse resources, and our ability to move products between North America and Asia efficiently.

As Northern British Columbia and Western Canada open themselves up to market opportunities in the Asia Pacific, close attention should be paid to the resource industry's needs. Understanding and anticipating supply chain dynamics in Asia and the United States is also imperative. Western provinces have the choice between either building a world class, multi-modal northern corridor or to let it become a bottleneck as trade volumes grow. Now is the time to plan for the long-term.

CURRENTS is published bi-monthly by Canada West Foundation. The information contained in this report has been drawn from sources believed to be reliable, but the accuracy and completeness of the information is not guaranteed, nor in providing it does Canada West Foundation assume any responsibility or liability. Notwithstanding the fact that effort has been made to ensure the accuracy of the information and forecasts contained herein, this report's content should not be construed as financial advice.

CANADIAN WESTERN BANK

CURRENTS is sponsored by Canadian Western Bank. Canadian Western Bank is the largest Schedule I chartered bank with headquarters and principal operations in western Canada.

Visit www.cwbank.com.